

Message Text

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ACTION SS-25

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 2362

C O N F I D E N T I A L BRASILIA 9644

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E.O. 11652: GDS

TAGS: ECON

SUBJECT: OMB BUDGET CUT FOR FY 1977

REF: (A) STATE 253483: (B) BRASILIA 3231

1. EMBASSY INTERPRETS PROPOSED CUT-OFF AS NOT APPLICABLE TO BRAZIL IN VIEW OF NOTIFICATION TERMINATION ASSISTANCE AS REPORTED REF B.
2. ONLY PROGRAM FUNDS REQUESTED ARE FOR COMPLETION CONTINUING PROJECTS WHICH WOULD APPEAR QUALIFY UNDER PROVISION LAST SENTENCE, PARA 1, REF A.
3. SINCE OUR BILATERAL AID PROGRAM TO BRAZIL IS IN ITS PHASE-OUT STAGE, BRAZILIAN REACTION TO THE CUT-OFF OF BILATERAL ASSISTANCE TO COUNTRIES WITH A PER CAPITA INCOME OF OVER \$300 WOULD DEPEND ON WHETHER IT PERCEIVES ANY SPILLOVER EFFECT ON ATTITUDES TOWARD MULTILATERAL LENDING AGENCIES. BEING THE LARGEST LATIN AMERICAN BORROWER FROM BOTH THE WORLD BANK AND IDB, BRAZIL WOULD BE MOST UNHAPPY WITH ANY ACTION ON OUR PART WHICH WOULD HAVE THE EFFECT OF REDUCING THE FLEXIBILITY OF THESE INSTITUTIONS, AS WAS TRIED LAST YEAR WHEN CONGRESS ATTEMPTED TO EARMARK FOR SPECIAL PROGRAMS PART OF OUR CONTRIBUTION TO THE IFB. WHILE WE PRESUME THAT THE PROPOSAL UNDER
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CONSIDERATION WOULD NOT AFFECT THE IFI REPLEN-

ISHMENT, GOB OFFICIALS MIGHT VERY WELL CONCLUDE THAT SUCH POLICIES ON OUR PART MIGHT NOT STOP WITH OUR BILATERAL AID PROGRAM. BRAZIL MIGHT THUS FEEL COMPELLED TO SIDE WITH OTHER LATIN AMERICAN COUNTRIES IN CONDEMNING SUCH AN ACTION.

4. BRAZIL'S REACTION WILL ALSO REFLECT THE IMPERATIVES OF HEMISPHERIC SOLIDARITY: WHILE THE GOB WOULD NOT, WE EXPECT, BE AMONG THE MOST OUTSPOKEN OF THE CRITICS, IT WOULD NOT WISH TO LAG -- OR APPEAR TO LAG -- FAR BEHIND IN DEPLORING A MEASURE THE BURDEN OF WHICH FALLS SO HEAVILY ON OTHER LATIN AMERICAN COUNTRIES. GIVEN THE LOW LEVEL OF THE CUT-OFF AND THE FACT THAT MANY COUNTRIES AFFECTED STILL URGENTLY NEED BILATERAL ASSISTANCE, SUCH A MEASURE COULD WELL JOIN THE TRADE ACT ON THE LATIN AMERICAN LIST OF ACTIONS EVIDENCING THAT THE US IS NOT SERIOUSLY INTERESTED IN THE HEMISPHERE AND ITS PROBLEMS.

5. ADDITIONALLY, WE EXPECT THAT BRAZIL WOULD REACT ON THE MULTILATERAL PLANE, IN THE CONTEXT OF NORTH-SOUTH ISSUES. WHILE ONCE AGAIN WE WOULD NOT ANTICIPATE STRIDENT LANGUAGE FROM GOB REPRESENTATIVES, WE BELIEVE IT INEVITABLE THAT THE PROPOSAL, IF ENACTED, WOULD BE BILLED BY BRAZIL AS A FURTHER DEMONSTRATION OF US LACK OF INTEREST IN HELPING TO BRING ABOUT ANY CHANGE IN THE DC-LDC RELATIONSHIP OR TO NARROW THE GAP BETWEEN THE TWO GROUPS.

6. ALL THREE ELEMENTS WHICH WOULD BE PERCEIVED IN THE MEASURE -- US PARSIMONY, LACK OF INTEREST IN LATIN AMERICA, AND LACK OF DESIRE TO HELP MEANINGFULLY IN THE NORTH-SOUTH CONTEXT -- WOULD LIKELY RECEIVE CONSIDERABLE NEGATIVE COMMENT IN THE MEDIA HERE, WITH CONCOMITANT DAMAGE TO US INTERESTS. CRIMMINS

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